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FAR EAST**1. Agents may have directed Communist fire on Quemoy:**

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The Chinese Communist artillery bombardment of the Quemoy Islands on 3 September was apparently directed by Communist agents on the islands, [REDACTED]

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[REDACTED] light signals were directed during the night to Communist-held Amoy from a hilly area in the southwest part of the larger island.

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[REDACTED] between 3 and 6 September three 155mm guns in the same part of the island were moved three times to new positions. Each time, artillery in the Amoy area registered on them in a manner suggesting that the Communists knew the precise location of the guns.

Comment: An American officer who recently returned from the Quemoy Islands reported that Communist agents were believed to be present and to be very well informed. [REDACTED]

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NEAR EAST - AFRICA**2. Comment on Iraqi policy on Middle East defense:**

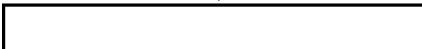
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A recent conversation between Iraqi prime minister Nuri Said and American chargé Ireland strongly suggests that Iraq is willing to follow Egypt's lead in reference to

Western plans for Middle East defense and do nothing on the matter for the present.

Nuri told Ireland that he had no confirmation of reports of differences between Iraq and Egypt on their current proposal for modifying the Arab League Collective Security pact to provide for non-Arab participation. Nuri stated that Egypt is presently reluctant to take any potentially unpopular step, such as joining a defense pact with the West, but that all it needed was a little time.



Nuri declared that if Iraq and Egypt disagree on Middle East plans, he will revert to "earlier regional defense schemes." The fact that such differences had been anticipated by Nuri and have since been publicly indicated by Egypt, coupled with a continuing vagueness on the part of Nuri as to the precise defense scheme he has in mind, suggests that he is going to continue to bargain and maneuver.

3. Cyprus issue may impair Greek-American relations:

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Ambassador Cannon believes that any American move which might seem to the Greeks to place the United States on Britain's side on the Cyprus issue would seriously undermine American influence in Greece. While London considers that the Cyprus question is an internal matter not subject to international discussion, Cannon says it is the cardinal issue in Greek-British relations.

The ambassador believes that the dropping of the Cyprus question from the UN agenda as a result of American influence could have the following effects on Greek-American relations: (1) Greek resentment against Britain might be transferred to the United States, causing a general decline in American influence in Greece; (2) the Papagos government, the first stable postwar Greek government, which is particularly identified with the United States, might be undermined; (3) neutralism might increase; and (4) Greek co-operation in the implementation of the military facilities agreement might be reduced.

Comment: Both Britain and Greece have pressed for American support when the agenda is considered by the General Assembly shortly after its opening on 21 September. The Cyprus question has assumed an overriding emotional importance in Greek politics and rejection of the Greek case, either on the question of inclusion on the agenda or on the substantive issue, will result in widespread resentment and possibly violent reaction in Greece.

WESTERN EUROPE**4. Adenauer continues negotiations with British for NATO membership:**

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Ambassador Conant reports it is clear that Chancellor Adenauer is aiming at full West German sovereignty and membership in NATO. Adenauer told Conant on 7 September that he intends to continue discussing with the British their proposal for German entry into NATO, and assumes that the United States will be kept informed. He is thinking of a declaration, possibly confirmed by the Bundestag, limiting the number of German divisions. He would like time to announce these "self-imposed restrictions" before entering a conference with the Western powers; otherwise, he said, the impression might be created that limitations on German rearmament were imposed on him.

Adenauer believes West Germany could gain sovereignty through a declaration by the three Western powers that they will not exercise their rights within the Federal Republic, leaving Berlin still under occupation.

Comment: German coalition leaders are uncertain about demanding renegotiation of the Bonn treaty, which would grant Germany limited sovereignty. They fear that renegotiation would jeopardize French agreement to German rearmament.